

§ 511.52 [Reserved]

Subpart G [Reserved]

Subpart H—Grant Administration

§ 511.70 Responsibility for grant administration.

Grantees are responsible for ensuring that rental rehabilitation grants are administered in accordance with the requirements of this part and other applicable laws. A grantee may enter into a written agreement with another unit of State or local government or with a non-governmental entity to administer specified functions under its Rental Rehabilitation Program to the extent not prohibited by HUD. If the grantee is contracting with a non-governmental entity to administer its program or to provide other services, such as cash management responsibilities, the grantee shall follow the procurement standards of 24 CFR 85.36. The use of other governmental units or private contractors does not relieve the grantee of its responsibility for ensuring compliance with this part and other applicable laws.

§ 511.71 Administrative costs.

(a) *Maximum amount.* Any grantee may use not to exceed 10 percent of the grant amount initially obligated to the grantee for Federal Fiscal Year 1988 and later fiscal years for administrative costs eligible under paragraphs (b) and (c) of this section. Eligible grantees may draw down funds to pay for eligible administrative costs through HUD's C/MI System.

(b) *Eligibility.* Eligible administrative costs are reasonable and necessary costs, as described in OMB Circular A-87, incurred by the grantee itself, or by a unit of general local government pursuant to a written cost-sharing agreement with a State grantee (see § 511.51(b)), in carrying out the Rental Rehabilitation Program in accordance with this part. Administrative costs do not include costs of rehabilitation which are incurred by and charged to project owners as eligible project costs under § 511.10(f)(2).

(c) *Written cost-sharing agreement.* A State grantee shall determine the amount of its rental rehabilitation

grant that it will permit to be used for administrative expenses, not to exceed the maximum permitted by this section. The State grantee shall share the amount of its rental rehabilitation grant designated for administrative expenses with units of general local government that incur eligible administrative costs in carrying out the Rental Rehabilitation Program, whether the unit of general local government receives a distribution of funds from the State or selects and manages projects independently as a State recipient or whether it performs less comprehensive functions by agreement with the State. Before any eligible administrative expenses are incurred by a unit of general local government under a State's grant, the cost-sharing arrangement shall be specified in a written agreement between the State grantee and each unit of general local government that receives payment from the State for administrative expenses under this part. This agreement shall describe (whether very generally or more specifically) the functions that the unit of general local government shall perform and the terms and conditions under which the unit of general local government participates in the program, including the procedures by which the unit of general local government's compensation for its administrative expenses incurred in performing the authorized functions is to be calculated and paid. HUD will not review the relative sharing of administrative expenses between the State and affected units of general local government, but pursuant to §§ 511.74 and 511.80, it will review and audit the State's program on the eligibility of administrative expenses paid with program funds.

(d) *Allocation of benefit.* Rental rehabilitation grant amounts used for program administration will be deemed to meet program requirements imposed on a percentage of the annual grant basis, such as lower income benefit and use of rental rehabilitation grants for housing for families with children, in the same proportion as the grant amounts for a grant year which are used for eligible project costs meet the grant requirements. For example, if 70 percent of the grant amounts used for